

BIBLIOGRAPHY

NGAYA-AN, DONWIN B. OCTOBER 2009. Benguet Rural People's Multipurpose Cooperative-Branch (BRUPEMCO). Benguet State University, La Trinidad, Benguet.

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ABSTRACT

The BRUPEMCO started as a clan organization aimed at helping other members of the clan who are in need of financial assistance. A proposal by Mr. Belino Diopnisio to share and open the services of the cooperative so that non-clan members can avail of the services of BRUPEMCO was approved by the Board of Directors. This led to the establishment of the branch cooperative in 2004.

This study was therefore conducted to compare the performance of the branch to that of the main in terms of asset and membership growth and cooperative performance. To document the credit policies of the branch that differs from the main cooperative, to determine the benefits derived by the members and finally to find out if it can sustain its operation without depending on the main cooperative for support.

This study was conducted at the BRUPEMCO-branch office at M&G building 3rd floor, KM 5, Pico, La Trinidad, Benguet last January 2009. The first hand information were gathered from the branch manager, the treasurer of the main cooperative and a survey questionnaire from 50 respondents while the secondary data were taken from the annual reports, financial statements, credit policies and studies already conducted.

The findings showed that the branch cooperative had a faster growth in total asset and membership. Asset increased faster in the branch because members deposited their money as share capital in the cooperative. The financial performance of the two cooperatives showed a sign of good operation. Based on the 2007 and 2008 financial statements of the two cooperatives, the computed financial ratios showed that they both had an excellent financial performance.

The branch has credit policies that were different from the main cooperative. It has instant loan and share capital build-up scheme which were both absent in the main cooperative. The loan processing in the main is more time consuming. As to membership policies, the branch accepts clan or non clan as members while the main cooperative accept clan members only. Findings showed that members of the branch cooperative were always satisfied on the services provided by the cooperative. Besides, majority of the respondents said they were benefited from the services specially the loans and savings deposit.

The branch cooperative, based on the computed financial performance, showed a good sign that it can sustain its operation.

TABLE OF CONTENTS

	Page
Bibliography.....	i
Abstract.....	x
Table of Contents.....	iii
INTRODUCTION.....	1
Rationale of the Study	1
Statement of the Problem	3
Objectives of the Study	4
Importance of the Study	4
Scope and Limitation	5
REVIEW OF LITERATURE.....	6
Profile of the Cooperative.....	6
Services of the BRUPEMCO Branch.....	7
METHODOLOGY.....	13
Locale and Time of the Study.....	13
Respondents of the Study.....	13
Data Collection	13
Data Gathered	13
Data Analysis	14
RESULTS AND DISCUSSION	15
Profile of the Respondents.....	15
Purpose in Joining the Cooperative and	

Level of Fulfillment	17
Benefits Derived from the Services Availed	19
Loan Services and Number of Times Availed	21
Trainings and Seminars Attended	23
Extent of Satisfaction on the Services of the Cooperative	23
Comparative Growth in Total Asset and Number of Members Between the Branch and the Main Cooperative	25
Comparative Financial Ratios	28
Policy on Membership of the Two Cooperatives	31
Loan Policies of the Two Cooperatives.....	31
Sustainability of the Branch Cooperative.....	33
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	34
Summary.....	34
Conclusions.....	37
LITERATURE CITED.....	38
APPENDIX	39
A. Letter to the Manager.....	39
B. Letter to the Respondents.....	40
C. Survey Questionnaires.....	41

INTRODUCTION

Rationale of the Study

The Benguet Rural People's Multipurpose Cooperative (BRUPEMCO) started as a clan organization aimed at helping other members of the clan who are in need of financial assistance. During their clan reunion, they found out that some members of their clan were in need of financial assistance and others were already well-off. As a result they agreed to organize a cooperative where those who have money could invest while those in need of financial assistance could borrow. The organization applied for registration with the Cooperative Development Authority and the certificate of registration was issued on February 02, 1995 (Palista, 2007). The members of the cooperative were clan members.

After 10 years of continuous operation, the main cooperative had a slow growth in terms of asset, net surplus and membership. The area of operation covers Benguet and Baguio City where they offered loan and savings deposit service. Palista (2007) mentioned that a limiting factor in the growth of the cooperative was the scope of membership. A proposal by Mr. Belino Dionisio to share and open the services of BRUPEMCO so that other members of the community or those who are not members of the clan could avail of the services of the cooperative was presented to the Board of Directors. After a series of meetings, the Board of Directors headed by Nicolas Alilis finally decided to open a branch that will assist small traders who usually borrow from private money lenders, charging very high rate of interest. Through a capital-build up scheme the cooperative could provide assistance to these small traders.



Benguet Rural People's Multipurpose Cooperative Branch branched out into another cooperative and accepted non-clan members into the cooperative. It is currently renting an office located at 3rd Floor M & g Building, Km. 5, Pico, La Trinidad, Benguet where it is approximately 2.5 kilometers far from the main. Most of the members of the branch cooperative are operating their businesses at the commercial centers of La Trinidad and Baguio City (Belino, 2008).

The branch cooperative was to offer the same services as the main cooperative offers but with a different strategy. To make sure that the opening of the branch does not affect in any way the operation of the main cooperative, the officers formulated the following safeguards: 1.) The branch must be operated first on a test run status for a period of three years to find out if it is feasible and viable. The test run started on January 01, 2004 it ended on December 31, 2006. 2.) The branch will adopt an independent system so as not to affect the financial operation of the main. This means that the branch has to develop its own capital, operate from its own income and maintain a separate book of accounts.

Mr. Belino Dionisio, the former bookkeeper of the main and now the branch manager and Mrs. Dominga Eslao, collector, initiated the test run without compensation/salary in the first three months. The asset at the end of the test run brought an impact to BRUPEMCO where it has yield PhP 2,780,043.40.

The three years of test run that ended on December 31, 2006, resulted to an increase in membership, share capital, savings deposit, time deposit, loans receivable, gross income, net surplus and assets.



Result after the Test run

Members-291

Share Capital-P1, 780,643.45

Savings Deposit-P658, 685.44

Time Deposit-P50, 000.00

Loans Receivable-P2, 552,017.00

Gross Income-P709, 228.22

Net Surplus-P290, 284.96

Asset-P2, 780,043.40

The BOD unanimously approved to adopt the branch as the first branch of BRUPEMCO on January 01, 2007. They also hired a bookkeeper on a temporary basis, two collectors, and a branch manager as initial members of the management staff for the branch.

The branch operates independently but it had been submitting its financial reports to the main office during BOD meetings. It has separate list of members. Most (80%) of the members are with “associate” status, meaning that they are not members of the clan. Most of them are small traders doing business within the commercial centers of La Trinidad and Baguio city.

Statement of the Problem

During the test run of the branch cooperative it was observed by the officers that its growth was faster than the main cooperative. This study was therefore conducted to document and analyze the operation of Benguet Rural People’s Multipurpose Cooperative-Branch. It aimed to find answers to the following questions:



1. How is the growth of the branch compared to the main cooperative?
2. What credit policies of BRUPEMCO-BRANCH are different from the main?
3. Are there benefits derived by members of the cooperative?
4. Will the branch cooperative be able to sustain its operation?

Objectives of the Study

The general objective of this study is to document and assess the operation of BRUPEMCO-BRANCH. Specifically; it aimed to:

1. compare the performance of the branch to that of the main in terms of:
 - a.) Asset and membership growth.
 - b.) financial performance
2. compare some credit policies of the branch cooperative to that of the main.
3. determine the benefits derived by the members of the cooperative.
4. find out if it can sustain its operation.

Importance of the Study

This study would provide the necessary information to the members, management staffs and officers of the cooperative as an input for making plans and decisions to improve the operation of the cooperative.

This study would also serve as reference to students, faculty members and other researchers who would be interested on cooperative management and development.

Finally, this research would develop the research capability and build-up the confidence of the researcher.



Scope and Limitation

This study focused on the operation of the BRUPEMCO-branch however, it made a comparison on the rate of growth between the main and branch operations.



REVIEW OF LITERATURE

Profile of the Cooperative

Palista (2007), identified the objectives of BRUPEMCO main cooperative as follows: 1) identify their common basic need, interest and aspiration in life; 2) pool their human, intellectual and financial resources for the collective solution to the socio-economic needs of members; 3) strengthen their bonds of relationships; 4) build up common capital; 5) grant loans for livelihood activities and other related services to the members; and 6) support the Government and other organizations in their activities that would promote sustainable socio-economic development.

BRUPEMCO branch is independent in its operation from the main, thus independent in the membership list and book of accounts, however, BRUPEMCO branch still submit financial reports to the main branch, according to Mr. Belino Dionisio, the branch manager.

It is a reality that for a long time, small traders who want to earn a decent living through livelihood activities are prone victims of moneyed individuals who charge high interest rates taking advantage of the small trader's lack of capital. It is on this ground that BRUPEMCO initiated a capital build-up/ Instant Loan Program to offer an alternative way where this people can be liberated from their present business condition.

The capital Build-Up/ Instant Program of BRUPEMCO intends to help members develop their own capital as they borrow from the cooperative without collateral. Their accumulated capital will enable them to borrow bigger amounts to improve and expand their business in order to earn more income and eventually improve their living condition.



Services of the BRUPEMCO Branch

1. Loan services

1.1. Instant Loan- This loan services is patterned on the “Bombay Style” where payment of loan is done on a daily “hulugan”. This particular loan service has three stages. Stage 1 and 2 is a training period for members to develop and practice capital Build-Up as they borrow and pay their loans. This is also a way for the members to prove their honesty, and capability to handle and manage small amount entrusted to them.

a.) Stage 1- Members may start to avail themselves of loan amounting to P1, 000.00 without collateral. If they maintain a good record of payment, P1,000.00 is added to their succeeding loans until they reach P5, 000.00. Sample loan schedules are presented below: Period of Loan - 30 days:

Loan	Daily Hulog	Total	Share Capital	Service Fee	Filling Fee
P1,000.00	P50.00	P1,500.00	P410.00	P60.00	P30.00
2,000.00	100.00	3,000.00	820.00	120.00	60.00
3,000.00	150.00	4,500.00	1,230.00	240.00	120.00
4,000.00	200.00	6,000.00	1,640.00	240.00	120.00
5,000.00	250.00	7,500.00	2,050.00	300.00	150.00

b.) Stage II

Amount of Loan- P 5,000.00 to P 10,000.00

Period of Loan- 2 months



Loan	Daily Hulog	Total	Share Capital	Interest On Loans	Service Fees	Filling Fees
P 5,000.00	P 100.00	P 6,000.00	P 600.00	P 200.00	P 150.00	P 150.00
6,000.00	120.00	7,200.00	720.00	240.00	180.00	60.00
7,000.00	140.00	8,400.00	840.00	280.00	210.00	70.00
8,000.00	160.00	9,600.00	960.00	320.00	240.00	80.00
9,000.00	180.00	10,800.00	1,080.00	360.00	270.00	90.00
10,000.00	200.00	12,000.00	1,200.00	400.00	300.00	100.00

c.) Stage III- Members may avail a maximum loan of an amount equivalent to their share capital plus fifty percent. The additional 50% must not exceed

P20, 000.00.

Period of loan

6 months

Interest

2%

Service fee

1.5%

Filing fee

.5%

Share Capital (Php)	Loan (Php)
10,000.00	15,000.00
14,000.00	20,000.00
17,000.00	25,000.00
20,000.00	30,000.00
24,000.00	35,000.00
28,000.00	40,000.00
34,000.00	50,000.00
40,000.00	60,000.00



The requirements for stage III loan include: 1) at least P 10,000.00 Share Capital; 2) must have undergone stage I & II; 3) must have a good record during stage I & II; 3) positive Record of the ocular inspection of the area where the business is to be undertaken; 4) must be a resident of Baguio City or Benguet Province; 5) depends on the availability of funds.

1.2. Short trip loans. This type of loan is patterned to Bombay style of credit operation wherein if you acquire loan, it must be paid within 24 hours from the time you borrowed plus the interest fee. Due to the difficulty of collecting, the management changed the due to 3 days for efficient collection of loans. Time deposits and share capital are used as collaterals. Members with unobligated deposits may use it to secure short trip loans.

A sample loan schedule is presented below: Period of Loan- 1 to 3 days

Loan	Share Capital	Interest	Service	Filing	Total (3 days)
P 1,000.00	P 10.00	P 2.00	P 2.00	P 1.00	P 15.00
5,000.00	50.00	10.00	10.00	5.00	75.00
10,000.00	100.00	20.00	20.00	10.00	150.00
20,000.00	200.00	40.00	40.00	20.00	300.00

1.3. Third window loans. This type of loan requires that 1st and 2nd window loans are availed first before a member can be able to avail of this loan. Savings deposits and share capital are the collateral of the 1st window while the 2nd window needs the collateral



such as; land and house and lot titles. These are the same collaterals required for 3rd window loan. This is payable in 6 months.

1.4. Coop. - member livelihood partnership project This project intends to assist members who have space, skill and the capability to manage a certain project but do not have enough capital and have no collateral.

The member through this project must comply with the capital Build-Up program of the cooperative using the savings formula recommended by the cooperative so that after some time he/she will avail of the normal regular or instant Loan of the cooperative. The terms and conditions of this type of loan includes: 1) member provides space and labor; 2) the cooperative provides capital and supervision; 3) marketing of product is both the responsibility of the member and the cooperative; 4) honorarium of bookkeeper is shouldered by the project; 5) Cooperatives collect the normal charges on loans; 6) partnership project ends after capital and all charges have been fully paid. The requirements for availment are: 1) must be a member who fully paid the minimum share capital of 1,000.00 pesos; 2) member of good standing; 3) member must be able to provide the labor force needed for the project; 4) must be willing to deposit at least 10% of his income from the project as his capital Build-Up.

2. Deposit

Regular members may invest in the deposit services of the branch if they want to avail of the deposit and Loan Service of the branch which are not offered in the main.

1. Share Capital- same as in the main
2. Savings Deposit- same as in the main



3. Time Deposits

a.) Regular time Deposit

Minimum Deposit - P 5,000.00

Maximum Deposit - 100,000.00

Duration	Interest
6 months	5%
9 months	9%
1 year	13%

b.) Long Term Deposits: For educational, Housing etc.

Minimum Deposit- P 5,000.00

Maximum Deposit- P 200,000.00

<u>Duration</u>	<u>Interest</u>
5 yrs. = Deposit x 2	100%
8yrs. = Deposit x3	200%
10yrs. = Deposit x 4	300%
12yrs. = Deposit x 5	400%

c.) Time Deposit- Pension Plan

c.1 Pension is on a monthly basis. Fraction of the Month is not considered.

c.2 Deposit is withdrawable anytime. Pension starts after 1 year maturity of the deposits. The interest almost reached to 1.34% per



year. Pension can be withdrawn every month but stops when deposits withdrawn.

Minimum Deposit – P 100,000.00

Maximum Deposit - 300,000.00

Deposit	Monthly Pension
P 100,000.00	P 1,340.00
150,000.00	2,020.00
200,000.00	2,690.00
250,000.00	3,370.00
300,000.00	4,050.00

In the study of Victor (2008), most of the members join the cooperative to avail of the credit services of BRUPEMCO.



METHODOLOGY

Locale and Time of the Study

This study was conducted in Benguet Rural People's Multipurpose Coop-Branch; M.G. Building, 3rd Floor Km. 5, La Trinidad, Benguet. This study was conducted from December 2008 to January 2009.

Respondents of the Study

The respondents of the study were the branch manager, the treasurer of the BRUPEMCO main and 50 members.

Data Collection

The primary data collected were through personal interview with the branch manager and the treasurer of the main cooperative. The secondary data was gathered from annual reports, financial statements, credit policies of the cooperative and studies already conducted.

A survey questionnaire was floated at random to 50 members.

Data Gathered

The data gathered were policies of the branch, financial information from the start of the operation run up to 2007, reports on the number of members, and credit policies of the cooperative. Information regarding the benefits derived by the members was also collected.



Data Analysis

The data gathered were classified, tabulated and analyzed using frequency and percentage for the benefits derived by the members. Financial analysis was done with the use of financial ratios to determine the financial performance of the cooperative.



RESULTS AND DISCUSSION

Profile of The Respondents

Table 1 represents the background information of the respondents in terms of the educational attainment, occupation and number of years in the cooperative.

Educational attainment. Twenty six (52%) of the respondents were college graduates, thirteen (26%) were high school graduates, six (12%) have finished vocational courses and five (10%) graduated from elementary. This implies that most of the members have attained higher level of formal education.

Occupation. As to occupation of the respondents, twenty four respondents (48%) were businessmen. Seven respondents (14%) each were farmers and employees. Three or 6% were students and housewives, two (4%) each were teachers and drivers and one each was a mechanic and a doctor. This shows that a significant number of members were businessmen. It also shows that the branch cooperative of BRUPEMCO accepts individuals as members regardless of the source of income or occupation.

Number of years as a member of the cooperative. As to the number of years of membership in the cooperative, most (60%) of the respondents have been a member for at least two years. Eleven (22%) respondents have been a member for 3 years and nine (18%) respondents were members for 4 years. This implies that a significant number of respondents were new members.



Table 1. Profile of the respondents

PARTICULAR	FREQUENCY	PERCENTAGE
Educational Attainment		
Elementary	5	10
High School	13	26
College	26	52
Vocational Course	6	12
TOTAL	50	100
Occupation		
Businessmen	24	48
Driver	2	4
Doctor	1	4
Employee	7	14
Farming	7	14
Housewife	3	6
Mechanic	1	2
Student	3	6
Teacher	2	4
TOTAL	50	100
Number of Years as Member		
0 – 2	30	60
2.1 - 3	11	22
3.1 - 4	9	18
TOTAL	50	100



Purpose in Joining the Cooperative and Level of Fulfillment

Purpose. People join the cooperative for different purposes. The respondents enumerated five purposes in joining the cooperative such as: to avail of the credit service, to deposit their money in the cooperative, to gain knowledge and skills through attendance to trainings and seminars sponsored by the cooperative, to visit other places through field trips conducted by the cooperative, and to contribute their knowledge and skills to the cooperative. Table 2 shows the distribution of the respondents according to the purpose of the respondents in joining the cooperative. Ninety four percent joined the cooperative to avail of the credit services, 92% for the savings deposits, 62% for gaining knowledge and skills through trainings and seminars, 56% visiting other places through field trips, and 40% joined the cooperative because they wanted to contribute their knowledge and skills to the cooperative through the conduct of trainings and seminars. This finding implies that that most members' purpose in joining the cooperative was to avail of its credit and deposit services. Nevertheless, there were respondents who joined

Table 2. Purpose of respondents in joining the cooperative

PARTICULAR	FREQUENCY (F)	PERCENTAGE (%)
To have an easy access to credit	47	94
To have an easy access to savings deposit	46	92
To contribute my knowledge and skills	20	40
To gain knowledge and skills	29	58
To visit other places	28	56



the cooperative to gain knowledge and contribute their skills through training and seminars, and to visit other places through field trips.

Level of fulfillment. The respondents were asked to rate the level of fulfillment of their purpose in joining the cooperative. Using a scale of 1 to 4 with 1 as never and 4 as always, the respondents rated each purpose and these findings are presented in Table 3.

The purpose of having an easy access to loan has a weighted frequency of 519 which got 3.39 weighted average which is interpreted as always. The second purpose which is to have easy access to savings deposit had 471 weighted frequency and a 3.29 weighted average, also interpreted as always. . The table also implies that most of the respondents said that they were often satisfied by contributing their knowledge and skills through trainings and seminars and partly learning from it. On the other hand, the purpose

Table 3. Level of fulfillment of the purposes of members in joining the cooperative

PURPOSES	LEVEL OF FULFILLMENT		
	WF	WA	Description
To have an easy access to credit	519	3.39	Always
To have an easy access to savings deposit	471	3.29	Always
To contribute my knowledge and skills	161	2.90	Often
To gain knowledge and skills	217	2.89	Often
To visit other places	75	1.47	Never

SCALE USED: 1 - 1.74 Never

1.75 - 2.49 Sometimes

2.50 - 3.24 Often

3.25 - 4.00 Always



of visiting other places through field trips was never fulfilled. It had a weighted frequency of 75 that got a 1.47 weighted average and interpreted as never.

This finding shows that the purposes of the respondents in joining the cooperative were generally fulfilled.

Benefits Derived from the Services Availed.

Savings and time deposits. Table 4 shows the benefits derived by the respondents from the services of the cooperative. Forty (80%) of the respondents said that the cooperative has higher interest rate than the bank while thirty three (66%) said that there are no withholding tax deducted from the interest. This finding implies that most of the members deposit their money because of the economic benefits they derived. It also shows that the respondents developed trust towards the cooperative because twenty one (42%) and nineteen (38%) of the respondents confident that their money is safe in the cooperative and they feel satisfied when they contribute to the funds of the cooperative.

Loan services. Forty five (90%) respondents said that interest rate and other charges are lower than other lending institutions while forty four (88%) said that they can easily avail of loans in times of need. Thirty eight (76%) said that the cooperative has less loan requirements and terms than the bank while one (2%) respondent said he can borrow higher amount from the cooperative than the bank. This was because he is a new member and has not yet availed of the loan service. These findings show that a great majority of the respondents perceived they were benefited from the savings and loan services of the cooperative through higher interest on savings, lower loan charges and lesser requirements for credit.



Table 4. Benefits derived by the respondents from the cooperative

PARTICULAR	FREQUENCY (F)	PERCENTAGE (%)
Savings and Time Deposit Services		
Higher interest rate than the bank	40	80
No withholding tax on interest earned	33	66
Feel satisfied to contribute fund to the coop	19	38
Feel confident that the money is safe	11	42
Loan Service		
Loan charges are lower	45	90
Coop not strict on loan requirements & terms	38	76
Easy to get loan in times of need	44	88
Can borrow higher amount from the coop	1	2
Mutual Fund		
Family will have money to use for my burial	8	22
Future use for my family	28	78

Mutual benefit fund. This type of service that the branch offers is about helping other members in case of death of co-members. It is said to be mutual because all members who pay this service would be benefited when death arises. Thirty six respondents have paid the Mutual Benefit Fund (MBU). Twenty eight respondents (78%) said that they would use the MBU for future needs while eight (22%) said that it would be used for their burial. This implies that members of the cooperative help each other



through this service. It shows also that the future is very important to them that they contribute to this fund.

Loan Services and Number of Times Availed

Table 5 presents the different types of loan availed by the members and the number of times that the respondents availed each type of loan.

Stage 1. There were twenty one (42%) respondents have availed this loan from 1-5 times between 2007 to 2008. Fourteen respondents (28%) availed 6-10 times while eleven respondents (22%) availed 11-20 times during this period. This finding shows that some members had been continuously availing this type of loan while the other may have shifted to other types of loan.

Stage 2. Twenty nine respondents (58%) have availed this loan for 1-5 times. Thirteen (26%) said they availed this loan 6-10 times while two respondents (4%) availed this loan 11-20 times between 2007 to 2008.

Stage 3. Twenty six respondents (52%) availed 1-5 times of this loan while only seven respondents (14%) said they have availed this loan for 6-10 times. No one of the respondents availed more than 10 times of this loan.

Short trip loan and third window loan. The short trip loan can be availed by members with time deposits and share capital because these are used as collaterals for the loan. The minimum amount is P1,000 and the maximum amount is P20,000. This loan is payable only in three days. The third window loan requires collaterals such as land or house and lot titles. This loan is payable in 6 months. The finding shows that only twenty six respondents (52%) have availed of this types of loan. The number of times they availed this loans between 2007 to 2008 ranged from 1-5 times.



Coop-member livelihood partnership program. This type of loan can be availed by members with projects or business ventures but have no money for working capital. The project can be financed by the cooperative and the supervision is joint. Members can only avail of loan if they have earlier participated in the capital build-up program. The finding shows that only 15 or 30% of the respondents availed of this type of loan. They availed this loan from 1 – 5 times.

These findings signify that most of the respondents availed the services not higher than 5 times since 2007. This also shows that the most availed loan service of the cooperative was the instant loan (stages 1, 2 and 3); especially stage 1 which was the character loan that is the basis of the cooperative management for them to avail of the next stages of loan.

Table 5. Distribution of respondents according to type of loan and the number of times availed

TYPE OF LOAN	NUMBER OF TIMES AVAILED					
	1 - 5		6 - 10		11 - 20	
	F	%	F	%	F	%
Stage 1	21	42	14	28	11	22
Stage 2	29	58	13	26	2	4
Stage 3	26	52	7	14	0	0
Short Trip Loan	26	52	0	0	0	0
Third Window Loan	26	52	0	0	0	0
CMLPP	15	30	0	0	0	0



Trainings and Seminars Attended.

In Table 6, it shows that 100% of the respondents have attended the pre-membership seminar while forty (80%) respondents have attended the Share capital build-up seminar. This finding implies that every member of the branch cooperative have attended the pre-membership education seminar. As part of the loan requirement, the cooperative do not allow any member to borrow money from the cooperative without attending the pr-membership education seminar. It may also show that pre-membership seminar was a need to the respondents. The finding also shows that 10 respondents or 20% did not yet attend the share-capital build-up seminar. They were new members and did not yet avail of the loan service that is why they had not attended the share capital build-up seminar.

Extent of Satisfaction on the Services of the Cooperative

The respondents were asked to rate the level of satisfaction they got from the different services in terms of the following criteria: waiting time or processing time; interest rate offered for savings and time deposits; and interest rate charged on loans.

Waiting time. According to the respondents, when they deposit their money in the cooperative or withdraw from the cooperative they do not have to wait for a long time

Table 6. Training and seminars attended

SEMINAR	FREQUENCY	PERCENTAGE
Pre-membership seminar	50	100
Share-capital build-up seminar	40	80



unlike in the banks. Aside from the short waiting time they also said that the staff of the cooperative were very accommodating to them and very friendly. Waiting time for the processing of savings and withdrawal both received a rating of always satisfactory. Processing of deposits had a weighted average level of satisfaction of 3.5 while processing of withdrawal had 3.27 (Table 7). Processing of loan application which included filing of application, release and repayment of the loan, all received a rating of always satisfactory. This is because loans are always released immediately upon submission of loan application.

Interest rate on savings and time deposits. Interest rate on savings and time deposits were rated as always satisfactory by the respondents. The weighted average level of satisfaction was 3.34. According to the respondents, interest on deposits in the cooperative is higher than what the banks are offering. Besides, interest on savings in the bank is taxed while that in the cooperative is tax exempted.

Interest on loan. Interest on loans was rated as always satisfactory by the respondents. It was noted that the cooperative does not charge interest on loan for stage 1 loans. However, it charges an interest rate of 4% per month or equivalent to 48% per annum on the other types of loan. The 4% charged by the cooperative is still very cheap compared to the 10% charged by private lenders. This is probably the reason why the respondents rated interest on loan as always satisfactory.

Repayment of loan. Table 7 also shows that repayment of loan was not a problem because of their daily payment. This shows that collection scheme of the cooperative is effective, although some members cannot pay daily. Even then, the respondents rated repayment of loan as always satisfactory.



Table 7. Level of satisfaction on the services of the cooperative

Expectations	LEVEL OF SATISFACTION						
	1	2	3	4	wf	wa	d
A. In terms of process of a service							
1. Savings and deposit							
a.1. deposit	1	4	69	88	568	3.5	Always
a.2. withdrawal	2	8	72	48	426	3.27	Always
2. Loan							
a.3. Application of loan	2	6	30	128	616	3.7	Always
a.4. Release of loan	1	6	54	108	607	3.59	Always
a.5. Repayment of loan	3	10	72	64	495	3.32	Always
B. In terms of interest rate on							
Savings and deposit	4	6	69	64	479	3.34	Always
C. In terms of interest rate on loans							
	3	4	78	68	517	3.37	Always

SCALE USED: 1-1.74 Never

1.75-2.49 Sometimes

2.50-3.24 Often

3.25-4.00 Always

Comparative Growth in Total Asset and Number of Members Between the Branch and the Main Cooperative

Number of members. The initial number of members in the branch cooperative in 2004 was 98 as shown in Table 8. This increased by 130% in 2005, while the main cooperative experienced a negative growth rate of 25% in the same period as found by



Palista in 2007. Palista mentioned that the decrease was due to the withdrawal of some members. There were members who could not pay their loans due to unprofitable farm business and they opted to offset their share capital with their loans resulting to the termination of their membership from the cooperative. From 2005 to 2008, both the main and the branch cooperatives had continues increase in their number of members but the later experienced a faster growth rate than the former.

The computed average yearly increment in the number of members in the branch cooperative was 133 while the main cooperative was only 13. From 2004 to 2005 the main cooperative experienced a negative twenty five growth rate while the branch cooperative had 130% growth rate. In 2006 the main cooperative experienced a slight growth of only 8% while the branch had a growth rate of about 23%. For the next two ensuing years the main cooperative had a very minimal increase in growth rate while the branch cooperative had an increasing growth rate of 35% in 2007 and 61% in 2008. The growth in membership in the main cooperative was constrained by its membership policy. It only accepts clan members into the cooperative while the branch cooperative

Table 8. Comparative growth in membership between the main and the branch cooperative

YEAR	TOTAL MEMBERS		RATE OF GROWTH (%)	
	Main	Branch	Main	Branch
2004	166	98		
2005	125	225	-25	130
5006	136	291	8	22.6
2007	149	392	9	35
2008	163	631	9	61



accepts any person with visible means of income to become members, thus a faster growth rate.

Total asset. Table 9 likewise shows the comparison of the total asset of the branch cooperative to that of the main cooperative. In 2005, total asset of the branch cooperative was P974,997.32 from only P460,585.69 in 2004 This increased by 111.7%. In the same period the total asset of the main cooperative increased by only 33%. In 2006, the branch had a total asset growth of 185% compared to only 14% of the main cooperative. For 2007 and 2008, both cooperatives experienced a decline in the growth rate. However, the growth rate was higher for the branch cooperative compared to the main cooperative.

These finding signifies that the branch cooperative had a faster growth in total asset than the main because of the fast growth rate of membership where the members deposited their money in the cooperative as share capital thus total asset also increased.

Table 9. Comparison of the growth rate in total asset of the main and the branch cooperatives (2004-2008)

YEAR	TOTAL ASSET (in pesos)		RATE OF GROWTH (in percent)	
	Main	Branch	Main	Branch
2004	1,584,159.73	460,585.69		
2005	2,110,232.43	974,997.32	33	111.7
2006	2,396,098.19	2,780,043.40	14	185.0
2007	3,010,683.00	3,848,306.84	26	38.0
2008	3,173,767.00	5,432,582.52	6	41.0



Comparative Financial Ratios

Efficiency ratios. This compares the efficiency of the two cooperatives in managing their financial assets. The efficiency ratios computed were: asset yield, operational self sufficiency ratio, return on members' share capital, loan portfolio profitability, cost per peso of loan, and administrative efficiency ratio.

Table 10 presented that the branch cooperative had an asset yield of about 10.34% compared to 6.6% of the main. This shows that the branch cooperative was able to generate P0.10 for every one peso of asset compared to the main cooperative which is only P0.06 per peso of asset. The operational self sufficiency ratio of the branch and the main cooperatives were 169% and 136%, respectively. Both cooperatives surpassed the standard which is 100%. This shows that the two cooperatives have the ability to sustain their own operations. The branch cooperative's rate of return on members' share capital was 12.6% which is twice that of the main cooperative. This signifies that the earning power of the members' money in the branch cooperative is much higher than the return that they could get if they put their money in the main cooperative. Furthermore, the return on the members' investment in the cooperative was still profitable even if there is a single digit inflation rate in 2008. The loan portfolio profitability was 23.8% in both cooperatives. Based on the Performance standard for credit cooperatives in the Philippines; a loan portfolio ratio of more than 20% is an indication of a good performance. The computed ratios therefore show that both cooperatives had a profitable lending operation in 2008. The cost per peso of loan in the branch cooperative was 0.0098 while that of the main cooperative was 0.17. This finding implies that the branch had a lower cost of acquiring the funds for lending and had met the standard which is



P0.10. The cost of lending in the branch cooperative is cheaper while the main had a higher cost in managing the cooperative's loan portfolio. The branch cooperative had an administrative efficiency ratio of 1.057% compared to the main which was 15.5%. This indicates that the branch cooperative incurred a lower administrative cost compared to the main cooperative. This is very advantageous the members of the branch cooperative because it means that they would have higher returns.

Stability measures. The stability measure computed was liquidity. The liquidity ratio indicates the short term stability. The branch cooperative had a liquidity ratio of 72.156% compared to the main of 43.2%. The result shows that the branch cooperative had a better liquidity than the main cooperative. However both cooperatives surpassed the standard which is not less than 15%. This shows that the branch has a higher ability to service the withdrawals of members in time. Members do not have to worry that they might not be able to withdraw their money when they need it.

Structure of assets. The ratios determined in this section included the loan receivable to asset ratio, share capital to asset ratio, and deposit to asset ratio.

The loans receivables to total assets ratios for the two cooperatives were 93% for the main and 90% for the branch. Based on the Performance standard for credit cooperatives in the Philippines, the ideal ratio is 70-80%. The other 20% should be in the form of fixed asset and cash reserves. This finding presents that the total assets in both cooperatives were invested in the loan portfolio which is not healthy practice. In case of delinquency problems, reserves would not be enough to meet the needed capital. The total members' share capital to total asset ratio of the branch cooperative was 59% compared to the main cooperative which was 81%. The performance standard ratio for



Table 10. Comparative financial ratios between the branch and the main cooperative for calendar year 2008

FINANACIAL RATIO	VALUE	
	Main	Branch
<u>Asset Structure</u>		
Asset yield	6.65%	10.34%
Operational self-sufficiency	136.00%	169.00%
Rate on return on members'		
Share capital	6.20%	12.60%
Loan portfolio profitability	23.81%	23.80%
Cost per peso of loan	P0.17	P0.01
Administrative efficiency	15.50%	1.06%
Liquidity		
Loans receivable to asset	93.00%	90.00%
Share capital to asset	81.00%	59.00%
Deposit to asset	9.96%	30.00%

share capital to asset is 35-45%. The other 55% should be sourced out from savings deposit which is cheaper and a higher percentage should be from the reserves of the cooperative. The finding shows that the share capital to asset ratio of the branch cooperative was not very far from the standard ratio. This is further supported by the deposit to total assets ratio, which the branch cooperative had 31% while the main cooperative had 9.96% only. These findings imply that the branch cooperative was able



to attract more savings deposit from members, which they could use to finance their operations, compared to the main cooperative. However, their ratios were way below the standard ratio of 55-65%.

Policy on Membership of the Two Cooperatives

The branch cooperative can accept a clan or a non-clan member to join the cooperative while the main cooperative can only accept those who are members of the clan. This finding relates to the growth of the membership and total asset wherein the branch had a faster growth than the main because of this policy. A pre-membership seminar is a requisite in becoming a member to both of the cooperative.

Loan Policies of the Two Cooperatives

The branch cooperative differs to the main cooperative in terms of:

Loan application and release. At the branch cooperative, a member can apply for instant loan and immediately receive the amount. This type of loan is absent in the main cooperative. Members has to file an application and wait for the approval of the credit committee. This takes time because the members of the credit committee come from different locations so they have to set a time for meeting to approve loan applications. This is a limiting factor wherein it is a time consuming.

Collection of loans. The branch cooperative has an effective collection tool wherein it is a daily collection which was adopted from “Bombay” style of credit. It is advantageous to the cooperative because its liquidity increased The disadvantage is that the cooperative has to employ a collector who goes to collect everyday. On the part of the member-borrowers this is not a problem since they are traders, holding cash everyday so



they could easily give their payment. The main cooperative follow a monthly installment basis and full payment scheme basis.

The main cooperative was still on the traditional policy while the branch coop adopted new policies such as:

Share capital build-up. The branch had this type of policy wherein members can build their share capital through repayment of their loans. Share capital build-up scheme was put up by the cooperative to increase the share capital of its members. This also can allow the members to loan higher amounts if they have bigger share capital. This policy was not adopted by the main cooperative.

Instant loan. The branch cooperative had this type of loan which is absent in the main cooperative. This loan services is patterned on the “Bombay Style” where payment of loan is done on a daily “hulugan”. This particular loan service has three stages. Stage 1 and 2 is a training period for members to develop and practice capital Build-Up as they borrow and pay their loans. This is also a way for the members to prove their credibility, and capability to handle and manage small amount entrusted to them.

a.) Stage 1- Members may start to avail of loan amounting to PhP1, 000.00 without collateral. If they maintain a good record, P 1,000.00 is added to their succeeding loans until they reach P5, 000.00. A Sample loan schedule is presented in Exhibit 1.

b.) Stage II- Members can avail of loan amounting to P5,000.00 to P10,000.00 with their share capital as collateral. A sample loan schedule is presented in Exhibit 2.

c.) Stage III- Members may avail a maximum loan of an amount equivalent to their share capital plus fifty percent. The additional 50% must not exceed P20, 000.00. A sample loan schedule is presented in Exhibit 3.



The requirements for stage III loan include: 1) at least P 10,000.00 Share Capital; 2) must have undergone stages I & II; 3) must have a good record during stage I & II; 3) positive record of the ocular inspection of the area where the business is to be undertaken; and 4) must be a resident of Baguio City or Benguet Province.

Sustainability of the Branch Cooperative

The computed financial performance of the branch implies that the branch can sustain its credit operation. It can yield income from its asset, it can meet its short obligations and can service its members' withdrawals. In addition, its operational self-sufficiency ratio is very high. This means that it can sustain its operation since it has very high operational self sufficiency ratio. The rate on members' share capital is enough to convince and recruit more members. The high liquidity ratio implies that it can service the withdrawals of the members anytime. Furthermore, the positive and fast growth of the membership and total asset leads to concluding that the branch cooperative can be able to sustain its operation

Based on the survey questionnaires, most of the respondents were satisfied by the services of the cooperative. This implies that the level of patronage of the members is very high that concludes the quality services the cooperative is offering. This also means that it can sustain its own operation and sooner will grew into a large cooperative since it has been servicing its members for the past 4 years since it was established as a branch cooperative.



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The BRUPEMCO started as a clan organization aimed at helping other members of the clan who are in need of financial assistance. After 10 years of continuous operation, a proposal by Mr. Belino Dionisio to share and open the services of the cooperative so other non-clan members was presented to the Board of Directors and was approved. This led to the creation of the branch cooperative. To make sure that the opening of the branch does not affect in any way the operation of the main office, the following safeguards were formulated: 1.) The branch must be operated first on a 3 year test run status to find out its feasibility and viability. This started on January 1, 2004 to December 31, 2006. 2.) The branch must be an independent system so as not to affect the operation of the main cooperative.

This study was therefore conducted to evaluate the performance of the branch cooperative from the standpoint of the members, make some comparisons between the main cooperative and the branch cooperative in terms of asset and membership growth and financial performance. The study also documented the credit policies of the branch that differs from the main cooperative.

This study was conducted at the BRUPEMCO-branch office at M&G building 3rd floor, KM 5, Pico, La Trinidad, Benguet last January 2009. The first hand information were gathered from the branch manager, the treasurer of the main cooperative through an interview. A survey questionnaire was floated to 50 member-respondents while the secondary data were taken from the annual reports, financial statements, credit policies and studies already conducted.



The finding showed that majority of the respondents availed of the stage 1 and stage 2 loan windows. Very few availed of the third window loan and the CMLPP. Majority of the respondents joined the cooperative to have access to its services specially the loan and savings and time deposits. In terms of the level of fulfillment of their purposes majority mentioned that they always have easy access to credit and savings and time deposits. Their purpose of visiting other places through field trips of the cooperative was never fulfilled. The respondents also said that they are always satisfied with the services of the cooperative.

The findings showed that the branch cooperative had a faster growth in total asset and membership. Asset increased faster in the branch because members deposited their money as share capital in the cooperative. A limiting factor to the main cooperative's growth in membership is its membership policy, which is only clan members can join the cooperative. The financial performance of the two cooperatives showed a sign of good operation. Based on the 2007 and 2008 financial statements of the two cooperatives, the computed financial ratios showed that they both had an excellent financial performance. However, they had a bit difference in the asset yield and rate of returns on members' share which the branch had higher merit than the main. In liquidity, the branch was more liquid than the main. This means that the branch has the ability to service its members' withdrawals on time. The two cooperatives' assets were invested in the portfolio which indicates a negative sign to both of the cooperative. In incase of delinquency; the assets will not be enough when there are sudden withdrawals. The branch also had more deposit as one of the source of capital; however they were both below the standard ratio.



The branch has credit policies that are different from the main cooperative. It has instant loan and share capital build-up scheme which were both absent in the main. The loan processing in the main is more time consuming. As to membership policies, the branch accepts clan or non clan members to join the coop while the main accept clan members only.

The branch cooperative based on the computed financial performance showed a good sign that it can sustain its operation.

Conclusions

Based on the findings of this study, the following conclusions were formulated:

1. The growth BRUPEMCO-branch in terms of total asset and membership was faster than the main. The financial performance of the branch cooperative based on the efficiency measures showed that it has the ability to sustain its operation for the immediate succeeding years. The high liquidity ratio indicates that it has more than enough cash to sustain its operations, including the withdrawals on savings deposit. However, both cooperatives present a not good picture of the asset structure especially in the ratios on loans receivable and deposit to asset which did not meet the standards.
2. The branch has credit policies which were not adopted by the main.
3. Based on the purpose of the respondents in joining the cooperative, it can be concluded that majority of the members joined the cooperative because of what it can provide them. And since majority of the respondents were benefited by the services of the cooperative, this means that the cooperative is providing excellent services to its members. Furthermore, it implies that the cooperative services are patronized by majority of the members.



4. Based on the result of the study, the cooperative can sustain its operation in the succeeding years.

Recommendations

1. The branch cooperative shall review and revise some of its policies regarding savings deposit especially long term deposit. It is too risky for the cooperative.

2. Members should continuously patronize the cooperative in order that the excellent financial performance would be maintained. On the other hand, the cooperative should once in a while bring its members who had no exposure to other big and successful cooperatives as an eye opener. In this way the members would appreciate the important role of the cooperative as an agent of economic change.

3. The main cooperative shall adopt some of the branch cooperative's credit policies. This can help motivate the faster growth of the main cooperative.

4. The branch cooperative can now separate as one cooperative. Its track record showed that it can stand alone as an independent cooperative.



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Appendix A

Communication Letter to the Manager

DEPARTMENT OF AGRICULTURAL ECONOMICS AND AGRIBUSINESS
MANAGEMENT (DAEAM)
Benguet State University
La Trinidad Benguet

January 2008

Dionisio Belino
Branch Manager
Benguet Rural People's Multipurpose Cooperative Branch
3rd Floor M&G Building Km5 Pico, La Trinidad Benguet

Sir:

Warm greetings!

In connection with my research on Benguet Rural People's Multipurpose Cooperative Branch: A case Study 2008-2009 of Benguet State University. I have the honor to request permission to conduct study and float my questionnaires to your member-borrowers and prospect members in relation to their benefits derived from the cooperative.

Thank you very much for your favorable action regarding this request. Your favorable action will be highly appreciated.

Sincerely Yours,

NGAYA-AN, DONWIN B.
(Researcher)

Noted:

EVANGELINE B. CUNGIHAN
Adviser



Appendix B

LETTER TO THE RESPONDENTS

DEPARTMENT OF AGRICULTURAL ECONOMICS AND
AGRIBUSINESS MANAGEMENT (DAEAM)
Benguet State University
La Trinidad Benguet

SIR/MADAM,

I, DONWIN B. NGAYA-AN, Fourth year Agri-business major in Cooperative Management of Benguet State University. I am presently a research titled “BENGUET RURAL PEOPLE’S MULTIPURPOSE COOPERATIVE BRANCH: A CASE STUDY” as a partial requirement for the degree.

In this connection, may I request a portion of your most precious time to answer the attached questionnaire and please give your honest answer. Rest assured that all information you provide would be treated with utmost confidentiality.

Thank you very much for sharing me a part of your most precious time. God Speed!

Sincerely Yours,

DONWIN B. NGAYA-AN



Appendix C
Survey Questionnaire

I. Respondent profile:

1. Name (optional):_____
2. Educational attainment:

<input type="checkbox"/> Elementary	<input type="checkbox"/> College
<input type="checkbox"/> High school	<input type="checkbox"/> Vocational courses
3. Main source of income/occupation:_____
4. Number of years in the cooperative:_____

II. Benefits and Reasons

Legend: 1-Never 3- Often

2-Sometimes 4-Always

* Please put a check on your choices and rate.

1. What are your reasons in joining the cooperative?

Reasons	1	2	3	4
<input type="checkbox"/> To have an easy access to credit.				
<input type="checkbox"/> To have easy access to savings deposits				
<input type="checkbox"/> To contribute my knowledge and skills through training and seminars				
<input type="checkbox"/> To gain knowledge and skills through training and seminars				
<input type="checkbox"/> To visit other places through field trips				
<input type="checkbox"/> Others(pls. specify)				



2. What benefits did you receive from the cooperative?

Services availed	Benefits derived
Savings and time deposit	<input type="checkbox"/> higher interest rate than the bank <input type="checkbox"/> no withholding tax deducted from interest <input type="checkbox"/> I feel satisfied when I contribute to the funds of the cooperative <input type="checkbox"/> I feel at peace that my money is safe in the cooperative <input type="checkbox"/> Others(specify)_____
Loan services	<input type="checkbox"/> interest rate and other charges are lower than other lending institutions <input type="checkbox"/> loan requirements and terms are less strict than the bank <input type="checkbox"/> I can easily avail of loan in times of need. <input type="checkbox"/> can borrow higher amount from the coop than from the bank <input type="checkbox"/> Others (specify) _____
Mutual benefit fund	<input type="checkbox"/> For business capital <input type="checkbox"/> For future use <input type="checkbox"/> others (specify) _____

3. Did you avail of the mutual benefit fund?

Yes No

4. How many times did you avail of the loan services of the coop?

Loan Services	Number of times availed since 2007
A.) Instant loan:	
1.Stage I	_____
2.Stage II	_____
3.Stage III	_____
B.) Short trip loans	_____
C.) Third window loans	_____
D.) Coop-member Livelihood Partnership Program(CMLPP)	_____



5. What trainings and seminars attended?

- Pre-membership Seminar (PMES)
- Share capital build-up
- Others (pls. specify)

6. What is your extent of satisfaction in terms of time while waiting the process of a service?

Services	Always	Often	Sometimes	Never
1.Savings Deposits: a. Deposit b. Withdrawal				
2. Loan: a. Application of loan b. Release of loan c. Repayment of loan				

7. What is the extent of your satisfaction in terms of interest rate on savings and Time deposits?

- Always
- Often
- Sometimes
- Never

8.) What is the extent of your satisfaction in terms of interest rate on loans?

- Always
- Often
- Sometimes
- Never



Exhibit 1

: Period of Loan - 30 days

Loan	Daily Hulog	Total	Share Capital	Service Fee	Filling Fee
P1,000.00	P50.00	P1,500.00	P410.00	P60.00	P30.00
2,000.00	100.00	3,000.00	820.00	120.00	60.00
3,000.00	150.00	4,500.00	1,230.00	240.00	120.00
4,000.00	200.00	6,000.00	1,640.00	240.00	120.00
5,000.00	250.00	7,500.00	2,050.00	300.00	150.00

Exhibit 2

Period of Loan- 2 months

Loan	Daily Hulog	Total	Share Capital	Interest On Loans	Service Fees	Filling Fees
P 5,000.00	P 100.00	P 6,000.00	P 600.00	P 200.00	P 150.00	P 150.00
6,000.00	120.00	7,200.00	720.00	240.00	180.00	60.00
7,000.00	140.00	8,400.00	840.00	280.00	210.00	70.00
8,000.00	160.00	9,600.00	960.00	320.00	240.00	80.00
9,000.00	180.00	10,800.00	1,080.00	360.00	270.00	90.00
10,000.00	200.00	12,000.00	1,200.00	400.00	300.00	100.00



Exhibit 3

Stage 3

Period of loan	6 months
Interest	2%
Service fee	1.5%
Filing fee	.5%

Share Capital (Php)	Loan (Php)
10000	15000
14000	20000
17000	25000
20000	30000
24000	35000
28000	40000
34000	50000
40000	60000

